



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
OWEN COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
OWEN COUNTY OFFICIALS.....	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS.....	7
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	10
NOTES TO FINANCIAL STATEMENTS	12
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	17
SCHEDULE OF OPERATING REVENUE	20
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES.....	27
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	41
COMMENT AND RECOMMENDATION	45



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable William P. O'Banion, County Judge/Executive

Honorable Tom Olds, Former County Judge/Executive

Members of the Owen County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Owen County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Owen County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Owen County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Owen County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1999, in conformity with the cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable William P. O'Banion, County Judge/Executive
Honorable Tom Olds, Former County Judge/Executive
Members of the Owen County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Owen County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present a comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 1999 on our consideration of Owen County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 22, 1999

OWEN COUNTY OFFICIALS

Fiscal Year Ended June 30, 1999

William P. O'Banion	County Judge/Executive
Charles Carter	County Attorney
Eugene Young	County Clerk
Carolyn Keith	Circuit Court Clerk
Zemer Hammond	Sheriff
David Bruce	Jailer
Lee N. Cochran	Property Valuation Administrator
Norma W. McDonald	County Treasurer
Lannis Garnett	Coroner
Gary Minch	Magistrate
Bobby Gaines	Magistrate
Eugene Vannarsdall	Magistrate
Noel True	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

OWEN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1999

Assets

General Fund:	
Cash	\$ 109,673
Investments	595,000
Road and Bridge Fund:	
Cash	69,708
Investments	300,000
Jail Fund:	
Cash	3,340
Traffic Safety Fund:	
Cash	8,476
Revolving Payroll Account-Cash	<u>473</u>
Total Assets	<u><u>\$ 1,086,670</u></u>

Liabilities and Fund Balances

Liabilities

Revolving Payroll Account	\$ 473
---------------------------	--------

Fund Balances

Reserved:	
Traffic Safety Fund	8,476
Unreserved:	
General Fund	704,673
Road Fund	369,708
Jail Fund	<u>3,340</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,086,670</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

OWEN COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,534,055	\$ 1,539,979	\$ 883,991	\$ 35,131
Transfers In	151,538	19,500	988	114,550
Kentucky Advance Revenue Program	553,170	372,595	180,575	
Prior Year Audit Adjustment	553	549		4
	<u>553</u>	<u>549</u>		<u>4</u>
Total Cash Receipts	<u>\$ 3,239,316</u>	<u>\$ 1,932,623</u>	<u>\$ 1,065,554</u>	<u>\$ 149,685</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,489,528	\$ 1,440,215	\$ 828,807	\$ 147,625
Transfers Out	151,538	135,038		
Kentucky Advance Revenue Program Repaid	553,170	372,595	180,575	
	<u>553,170</u>	<u>372,595</u>	<u>180,575</u>	
Total Cash Disbursements	<u>\$ 3,194,236</u>	<u>\$ 1,947,848</u>	<u>\$ 1,009,382</u>	<u>\$ 147,625</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 45,081	\$ (15,225)	\$ 56,173	\$ 2,060
Cash Balance-July 1, 1998*	<u>1,041,116</u>	<u>719,898</u>	<u>313,535</u>	<u>1,280</u>
Cash Balance-June 30, 1999*	<u>\$ 1,086,197</u>	<u>\$ 704,673</u>	<u>\$ 369,708</u>	<u>\$ 3,340</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

OWEN COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 1999
(Continued)

Traffic	
Safety	
Fund	
	<hr/>
\$	74,954
	16,500
	<hr/>
\$	91,454
	<hr/>
\$	72,881
	16,500
	<hr/>
\$	89,381
	<hr/>
\$	2,073
	6,403
	<hr/>
\$	8,476
	<hr/>

OWEN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Owen County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Owen County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

OWEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.22 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of August 24, 1998, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$283,158 of public funds uninsured and unsecured.

OWEN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1999
 (Continued)

Note 3. Deposits (Continued)

Management's Response:

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 24, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 1,569,722
Uncollateralized and uninsured	<u>283,158</u>
Total	<u>\$ 1,852,880</u>

Note 4. Lease-Purchase Agreements

Owen County entered into a lease agreement with Kentucky Association of Counties Leasing Trust Programs for the purchase of 14 electronic voting machines. The agreement requires a monthly interest payment with an annual principal payment. The amount of \$56,000 was borrowed over a 10-year period and as of June 30, 1999, the principal balance was \$21,000.

Note 5. Insurance

For the fiscal year ended June 30, 1999, Owen County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

OWEN COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1999

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 1,279,688	\$ 1,539,979	\$ 260,291
Road and Bridge Fund	848,111	883,991	35,880
Jail Fund	123,097	35,131	(87,966)
Traffic Safety Fund	89,947	74,954	(14,993)
Total	<u>\$ 2,340,843</u>	<u>\$ 2,534,055</u>	<u>\$ 193,212</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 2,340,843
Add: Budgeted Prior Year Surplus	1,041,121
Less: Other Financing Uses	<u>(553,170)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 2,828,794</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF OPERATING REVENUE

OWEN COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 327,143	\$ 327,143	\$	\$
Excess Fees-1998	28,506	28,506		
County Clerk:				
Deed Transfer Tax	22,068	22,068		
Delinquent Taxes	10,123	10,123		
Motor Vehicle Tax	63,974	63,974		
Excess Fees-1998	42,847	42,847		
Insurance Premium Tax	395,242	395,242		
Totals	<u>\$ 889,903</u>	<u>\$ 889,903</u>	<u>\$ 0</u>	<u>\$ 0</u>

Federal Receipts-State Treasurer

Traffic Safety Grant	\$ 74,954	\$	\$	\$
Federal Disaster and Emergency Services/Emergency Management				
Agency Reimbursement	4,346	4,346		
HUD Disaster Recovery Initiative				
Redevelopment Project	74,959	74,959		
Epitome CDBG Project	1,750	1,750		
Totals	<u>\$ 156,009</u>	<u>\$ 81,055</u>	<u>\$ 0</u>	<u>\$ 0</u>

Kentucky State Treasurer

Jail:				
Allotments	\$ 24,000	\$	\$	\$ 24,000
Medical Allotments	1,935			1,935
Driving Under The Influence Fees	1,403			1,403
State Reimbursement	2,580			2,580
County Road Aid	647,775		647,775	
Public Defender Allotment	13,048	13,048		
Drivers License Distribution	988	988		
Truck License Distribution	161,449		161,449	
Election Expense Reimbursement	5,610	5,610		
Board of Assessments	200	200		

OWEN COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

Traffic
 Safety
Fund

\$

\$ 0

\$ 74,954

\$ 74,954

\$

OWEN COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
(Continued)				
Courthouse Rental-Administrative				
Office of the Courts	\$ 41,500	\$ 41,500	\$	\$
Refunds:				
Legal Process Tax	64	64		
Dog Licenses	91	91		
Grants:				
Industrial Park Improvement	150,000	150,000		
Ambulance Grant	19,012	19,012		
Totals	<u>\$ 1,069,655</u>	<u>\$ 230,513</u>	<u>\$ 809,224</u>	<u>\$ 29,918</u>
<u>Miscellaneous Revenue</u>				
Interest	\$ 61,407	\$ 39,558	\$ 21,849	\$
Circuit Court Clerk:				
Jail Cost	5,213			5,213
Sell of Surplus	32,575		32,575	
Charges for Services:	1,155	1,155		
Waste Management	47,294	47,294		
Ambulance Service	102,264	102,264		
Miscellaneous Payments	61,325	61,325		
County Attorney-Excess Fees	10,000	10,000		
E911 Surcharge	50,992	50,992		
Financial Institution	8,526	8,526		
Transit Authority	5,602	5,602		
Reimbursement	8,049	8,049		
Miscellaneous Revenue	24,086	3,743	20,343	
Totals	<u>\$ 418,488</u>	<u>\$ 338,508</u>	<u>\$ 74,767</u>	<u>\$ 5,213</u>
Total Operating Revenue	<u>\$ 2,534,055</u>	<u>\$ 1,539,979</u>	<u>\$ 883,991</u>	<u>\$ 35,131</u>

OWEN COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

Traffic
 Safety
Fund

\$

\$ 0

\$

\$ 0

\$ 74,954

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

OWEN COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

	<u>Final</u> <u>Budget</u>	<u>Budgeted</u> <u>Expenditures</u>	<u>Under</u> <u>(Over)</u> <u>Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 53,135	\$ 49,057	\$ 4,078
Deputy County Judge/Executive	26,953	26,953	
Office Staff	12,547	7,357	5,190
Advertisement	1,153	962	191
Contract with Private Agencies	2,068	2,068	
Office Supplies	3,000	2,436	564
Bond	150	81	69
Dues	1,000	1,000	
Postal Charges	904	904	
Conference Registration	2,000	1,040	960
Travel	1,054	1,054	
Office Equipment	6,000	3,215	2,785
Office of County Attorney:			
Salaries-			
County Attorney	15,000	13,500	1,500
Secretaries	11,300	11,236	64
Office of County Clerk:			
Audit Service	2,105	2,105	
Equipment Maintenance and Repair	1,471	1,471	
Duplicating Service	456	456	
Office Materials and Supplies	6,500	5,092	1,408
Bond	416	416	
Printing and Binding	2,874	2,874	
Office Equipment	4,525	4,525	
Office of Sheriff:			
Deputies Salaries	37,348	37,348	
Advertising	1,002	1,002	
Audit Service	4,167	4,167	
Vehicle Repair	6,225	6,225	
Materials and Supplies	3,034	3,034	

OWEN COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET
 AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Office of Sheriff: (Continued)			
Bond	\$ 1,314	\$ 1,314	\$
Motor Vehicles	23,681	23,681	
Office of County Coroner:			
Salaries-			
County Coroner	4,591	4,200	391
Deputy Coroner	1,800	1,530	270
Contract with Private Agencies	1,053	1,053	
Bond	132	132	
Printing Stationary and Supplies	168	74	94
Travel	415	415	
Fiscal Court:			
Magistrates Salaries-	24,578	22,680	1,898
Contract with Private Agencies	972	972	
Dues	1,000	1,000	
Registration	200	200	
Travel	6,000	6,000	
Fiscal Court Clerk Salary	1,800	1,736	64
Office of Property Valuation Administrator:			
Statutory Contribution	11,000	10,936	64
Office of Board of Assessment Appeals:			
Per Diem	800	800	
Office of County Treasurer:			
County Treasurer's Salary	9,342	9,342	
Advertisement	743	549	194
Office Materials and Supplies	1,015	1,015	
Bond	400		400
Conference and Registration	300		300
Travel	200		200
Office Equipment	1,500	25	1,475

OWEN COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET
 AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
County Law Library:			
Law Librarian Salary	\$ 600	\$	\$ 600
Elections:			
Per Diem-			
Election Commissioners	2,080	2,080	
Election Officers	8,208	8,208	
Advertisements	717	717	
Maintenance and Repair Service	4,093	4,093	
Rental Election/Polling Facilities	2,991	2,991	
Printing	12,688	12,688	
Courthouse:			
Janitor's Salary	16,000	15,427	573
Fire Alarm Maintenance	433	433	
Elevator Maintenance	935	935	
Materials and Supplies	4,125	2,333	1,792
Insurance Premium Tax	200		200
Renewals/Repairs	5,577	5,577	
Utilities	16,237	16,237	
New Equipment	960	295	665
State Grant	61,325	61,325	
Capital Outlay	74,510	4,039	70,471
Other County Properties:			
Building Maintenance and Repair	1,332	136	1,196
Renewals and Repairs	500	500	
Utilities	2,768	2,768	
New Equipment	1,000		1,000
Annex Building:			
Maintenance and Repair	4,863	425	4,438
Utilities	4,137	4,137	
Capital Outlay	20,000	3,368	16,632

OWEN COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET
 AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Protection to Persons and Property</u>			
Constables:			
Salaries	\$ 4,800	\$ 4,800	\$
Bond	587	587	
Training	212	212	
County Fire Department:			
Gasoline	343	343	
Contributions	14,957	14,925	32
Disaster and Emergency Services:			
Director's Salary	7,560	7,560	
HAZMAT Seven	1,030	1,030	
Utilities	1,136	1,136	
New Equipment	199	199	
Ambulance Service:			
Salaries	172,822	165,583	7,239
Contract with Private Agencies	8,234	7,916	318
Lease Payment	4,800	4,800	
Radio Repair	406	233	173
Diesel	2,867	2,253	614
Gasoline	323	208	115
Materials and Supplies	1,578	1,578	
Tires	800	38	762
Medical Supplies	9,166	9,166	
Utilities	5,000	4,928	72
Vehicle Maintenance and Repair	7,495	7,495	
New Equipment	59,972	59,972	
Emergency Dispatch Service:			
Office Staff	1,993	651	1,342
Contract with Private Agencies	57,938	57,938	
Gasoline	482	152	330
Vehicle Parts	713	713	
Materials and Supplies	200	100	100
Postage	200		200
Communication Equipment	5,313	5,313	

OWEN COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET
 AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Protection to Persons and Property</u> (Continued)			
Forest Fire Protection:			
Contracts with Government Agencies	\$ 2,200	\$ 2,154	\$ 46
Office of Public Defender:			
Contribution	1,200	1,129	71
<u>General Health and Sanitation</u>			
Dog Control:			
Salaries	10,500	10,500	
Contract with Private Agency	1,920	1,644	276
Lease	300	250	50
Travel	1,680	1,680	
Solid Waste Collection:			
Attendants	18,228	18,180	48
Advertisement	192		192
Contract with Private Agencies	60,377	60,377	
Equipment Maintenance and Repair	279		279
Vehicle Maintenance and Repair	6,752	6,752	
Diesel	16		16
Materials and Supplies	1,000	621	379
Utilities	500	344	156
Motor Vehicle	10,000	10,000	
Plant Operation Equipment	556	556	
<u>Social Services</u>			
Service to Indigents:			
Pauper Burials	2,000	1,350	650
Indigent Services	1,000	500	500
Senior Citizens Program:			
Van Drivers	13,036	13,036	
Contract with Private Agencies	857	8	849
Gasoline	1,730	1,730	

OWEN COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET
 AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Social Services</u> (Continued)			
Senior Citizens Program: (Continued)			
Motor Vehicle Parts	\$ 330	\$ 15	\$ 315
Tires	366	366	
Utilities	732	732	
Public Advocate Program:			
Legal Fees	13,246	13,246	
General Charity and Welfare:			
Food	1,000	143	857
<u>Recreation and Culture</u>			
Parks:			
Salaries	255	255	
Contributions	21,705	21,705	
Industrial Park Improvement Grant	150,000	150,000	
Celebrations, Festivals and Cultural Programs:			
Festivals and Culture Program	9,000	996	8,004
<u>Debt Service</u>			
Kentucky Advanced Revenue Program:			
Interest	8,152	8,152	
Other County Liabilities:			
Lease-Purchase Agreements-			
Voting Machines-			
Principal	6,000	6,000	
Interest	1,573	1,327	246
<u>Capital Projects</u>			
Federal Grant	76,709	76,709	

OWEN COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET
 AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Administration</u>			
General Services:			
Contract with Government Agency	\$ 7,400	\$ 7,368	\$ 32
Audit Service	10,000	7,497	2,503
Contract with Private Agency	2,000	250	1,750
Contract with Public Carrier	5,000	3,680	1,320
Bank Charges	100	66	34
Insurance	30,000	26,695	3,305
Insurance-Errors and Omissions	6,717	6,717	
NKADD	2,800	2,431	369
KACO Dues	800	800	
Contingent Appropriations:			
Reserve for Transfers	1,562		1,562
Fringe Benefits:			
County Contributions-			
Social Security	48,550	48,542	8
Retirement	74,501	74,501	
Health Insurance	44,878	44,878	
Worker's Compensation	20,000	19,360	640
Unemployment Insurance	2,500	1,200	1,300
Total Operating Budget	\$ 1,596,995	\$ 1,440,215	\$ 156,780
Other Financing Uses:			
*Kentucky Advance Revenue Program-			
Principal	372,595	372,595	
Total General Fund	\$ 1,969,590	\$ 1,812,810	\$ 156,780

ROAD AND BRIDGE FUND

Roads

Office of Road Supervisor/Engineer:			
Road Supervisor Salary	\$ 29,172	\$ 29,119	\$ 53
Travel	300		300

OWEN COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET
 AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Roads</u> (Continued)			
Road Maintenance:			
Salaries-			
Mechanic	\$ 19,309	\$ 19,309	\$
Equipment Operators	69,300	69,300	
Truck Drivers	95,475	85,296	10,179
Temporary/Part Time Help	20,025	20,025	
Advertisement	93	38	55
Auction and Sales Fee	100		100
Contract Constructed Bridges	5,000	4,940	60
Contract with Private Agencies	150,314	150,314	
Legal Fees	100	12	88
Building Maintenance and Repair	828	779	49
Equipment Maintenance and Repair	21,488	21,488	
Vehicle Maintenance and Repair	3,639	3,629	10
Tow in Service	148	70	78
Asphalt	5,000		5,000
Concrete	1,798	1,565	233
Crushed Stone and Gravel	150,000	135,551	14,449
Custodian Supplies	1,492	1,492	
Diesel Fuel	13,674	12,823	851
Fertilizer, Lime, Seed, Chemical	74,384	69,674	4,710
Gasoline	6,000	2,733	3,267
General Construction Materials	2,913		2,913
Lubricants	3,000	2,969	31
Motor Vehicle Parts	10,000	8,350	1,650
General Road Materials	2,000		2,000
Paint	160		160
Pipe	2,601	2,601	
Pipe Metal	2,950	2,950	
Signs	2,000	966	1,034
Salt	11,052	11,052	
Sand	500		500
Tools	800		800
Structural Steel	200		200
Tires and Tubes	6,706	6,706	
Wood	1,000		1,000
Other Materials and Supplies	3,219	3,219	

OWEN COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET
 AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Roads</u> (Continued)			
Road Maintenance: (Continued)			
Legal Notices	\$ 100	\$ 12	\$ 88
License	63	63	
Medical Supplies	200	89	111
Reimbursement	400	270	130
Utilities	3,507	3,507	
Building Maintenance and Repair	878		878
Highway Equipment	52,693	52,693	
Building and Construction	1,000		1,000
<u>Debt Service</u>			
Kentucky Advance Revenue Program:			
Interest	3,951	3,951	
<u>Administration</u>			
General Services:			
Auditing Services	1,500		1,500
Insurance-			
Building and Contents	3,500	3,500	
Liability on Roads	15,000	10,230	4,770
Vehicles and Equipment	12,000	12,000	
Contingent Appropriations:			
Reserve for Budget Transfers	87,540		87,540
Fringe Benefits:			
County Contributions-			
Retirement	18,000	16,448	1,552
Social Security	17,000	15,823	1,177
Health Insurance	25,000	23,142	1,858
Worker's Compensation	20,000	19,360	640
Unemployment Insurance	2,000	749	1,251
Total Operating Budget	\$ 981,072	\$ 828,807	\$ 152,265

OWEN COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET
 AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
Other Financing Uses:			
*Kentucky Advance Revenue Program-			
Principal	\$ 180,575	\$ 180,575	\$
Total Road and Bridge Fund	\$ 1,161,647	\$ 1,009,382	\$ 152,265

JAIL FUND

Protection to Persons and Property

Office of Jailer:

 Personnel Services-

 Salaries-

 Jailer

\$ 16,000 \$ 16,000 \$

 Deputies

3,609 3,609

 Operations-

 Contract with Other Counties

107,100 107,100

 Vehicle Maintenance and Repair

482 482

 Food

143 143

 Gasoline

1,496 1,155 341

 Petroleum Products

75 15 60

 Staff Uniforms

300 54 246

 Medical Services

5,000 776 4,224

 Postage

58 33 25

 Travel

300 293 7

 Miscellaneous Operating Expense

200 181 19

 Communication Equipment

220 180 40

 Other Equipment

195 195

Juvenile Detention:

 Contract with Other Counties

14,125 14,125

Administration

General Services:

 Association Dues

50 50

 Staff Training

228 228

OWEN COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET
 AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u> (Continued)			
<u>Administration</u> (Continued)			
Contingent Appropriations:			
Reserve for Budget Transfers	\$ 1,396	\$	\$ 1,396
Fringe Benefits:			
County Contributions-			
Retirement	1,850	1,583	267
Social Security	1,550	1,423	127
Total Jail Fund	<u>\$ 154,377</u>	<u>\$ 147,625</u>	<u>\$ 6,752</u>

TRAFFIC SAFETY FUND

Administration

General Services

Salaries-			
Director	\$ 27,442	\$ 25,323	\$ 2,119
Assistant Director	12,928	5,565	7,363
Contractual Services	11,000	9,391	1,609
Commodities and Office Supplies	18,259	18,259	
Travel	9,000	6,377	2,623
Equipment	5,700	330	5,370
Fringe Benefits:			
County Contributions-			
Retirement	3,696	2,539	1,157
Social Security	3,316	2,245	1,071
Health Insurance	4,450	2,637	1,813
Worker's Compensation	475	155	320
Unemployment Insurance	84	60	24
Total Traffic Safety Fund	<u>\$ 96,350</u>	<u>\$ 72,881</u>	<u>\$ 23,469</u>

OWEN COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET
 AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
Total Operating Budget-All Funds	\$ 2,828,794	\$ 2,489,528	\$ 339,266
Other Financing Uses:			
*Kentucky Advance Revenue Program- Principal	<u>553,170</u>	<u>553,170</u>	
TOTAL BUDGET - ALL FUNDS	<u>\$ 3,381,964</u>	<u>\$ 3,042,698</u>	<u>\$ 339,266</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable William P. O'Banion, County Judge/Executive
Honorable Tom Olds, Former County Judge/Executive
Members of the Owen County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An
Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Owen County Kentucky, as of and for the year ended June 30, 1999, and have issued our report thereon dated December 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Owen County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Owen County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable William P. O'Banion, County Judge/Executive
Honorable Tom Olds, Former County Judge/Executive
Members of the Owen County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 22, 1999

COMMENT AND RECOMMENDATION

OWEN COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 1999

NONCOMPLIANCES

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On August 24, 1998, \$283,158 of the county's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Management's Response:

OK

PRIOR YEAR FINDINGS

The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$967,602 As Collateral To Protect Deposits

The county's deposits were not adequately secured by \$967,602 as of July 31, 1997. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide pledges of securities as collateral for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. We recommend that the county require depository institutions to pledge sufficient securities as collateral to protect deposits at all times.

This finding was unresolved in the current year.